

TOWNSHIP OF HOLMES  
REPORT ON FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION  
YEAR ENDED MARCH 31, 2006

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name HOLMES TOWNSHIP	County MENOMINEE
Audit Date MARCH 31, 2006	Opinion Date OCTOBER 23, 2006	Date Accountant Report Submitted to State: OCTOBER 23, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

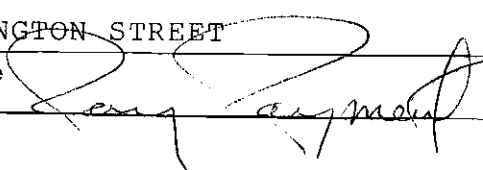
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) RAY PAYMENT, CPA			
Street Address 617 LUDINGTON STREET	City ESCANABA	State MI	ZIP 49829
Accountant Signature 			

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October 23, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Township Board  
Township of Holmes  
Menominee County, Michigan

I have audited the general purpose financial statements of Holmes Township, Michigan, as of March 31, 2006 and the related statements of cash receipts and expenditures, and changes in fund balance for the year then ended. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 2, the Township of Holmes prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Michigan, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As described more fully in Note 2, the Township has not maintained a record of its general fixed assets and, accordingly, the General Fixed Assets Account Group is not included in this report, as required by generally accepted accounting principles.

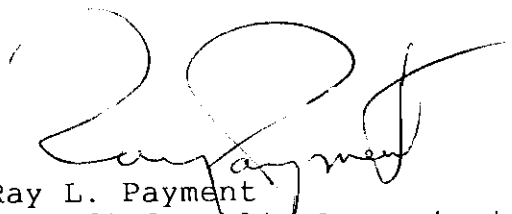
Management has not presented government-wide statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The statements for the Township's governmental activities and business-type activities are not reasonably determinable.

October 23, 2006

HOLMES TOWNSHIP  
INDEPENDENT AUDITOR'S REPORT (Continued)

In my opinion, except for the effects of the omission of the general fixed assets and government-wide statements as discussed in the above paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, only the cash and unencumbered cash balances of each of the Township's fund types at March 31, 2006, and revenues received and the expenditures paid to such fund types as discussed in the third paragraph.

I conducted my audit for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary data are presented for the purpose of additional analysis and are not a required part of the financial statements of Holmes Township, Michigan. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Ray L. Payment  
Certified Public Accountant

TOWNSHIP OF HOLMES  
COMBINED BALANCE SHEET - CASH BASIS  
ALL FUND TYPES AND ACCOUNT GROUPS  
MARCH 31, 2006

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	<u>Governmental Fund Type</u>	
	<u>General</u>	<u>Special Revenue</u>
ASSETS:		
Cash and Interest- Bearing Deposits	\$ 198 103	\$ 20 222
TOTAL ASSETS	\$ 198 103	\$ 20 222
	<hr/>	<hr/>
FUND EQUITY:		
Fund Balance (Unreserved)	\$ 198 103	\$ 20 222
TOTAL FUND EQUITY	\$ 198 103	\$ 20 222
	<hr/>	<hr/>

See accompanying notes to financial statements.

TOWNSHIP OF HOLMES  
 COMBINED STATEMENT OF CASH RECEIPTS  
 DISBURSEMENTS AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES - CASH BASIS  
 YEAR ENDED MARCH 31, 2006

	<u>Governmental Fund Type</u>	
	<u>General</u>	<u>Special Revenue-Fire</u>
CASH RECEIPTS:		
Current and delinquent		
Property taxes and CFR	\$ 31 332	\$ 20 222
Interest income	4 130	-
State revenue sharing	19 991	-
Swamp tax	12 838	-
Charges for services:		
Tax collection fees	9 856	-
Reimbursements & misc.	5 111	-
	<u>83 258</u>	<u>20 222</u>
TOTAL CASH RECEIPTS		
CASH DISBURSEMENTS:		
Legislative:		
Township board expense	10 209	-
and trustees		
General Government:		
Township supervisor	4 036	-
Township Clerk	4 074	-
Board of Review	1 190	-
Treasurer and tax roll		
expense	8 586	-
Assessor	11 303	-
Payroll taxes	2 254	-
Township hall expense	4 306	-
Insurance	3 697	-
Elections	1 090	-
Highways and roads	32 024	-
Fire protection	-	18 756
Landfill	150	-
	<u>82 919</u>	<u>18 756</u>
TOTAL CASH DISBURSEMENTS		
EXCESS OF CASH RECEIPTS		
OVER (UNDER) DISBURSEMENTS	\$ 339	\$ 1 466
FUND BALANCE, April 1, 2005	<u>197 764</u>	<u>18 756</u>
FUND BALANCE, March 31, 2006	<u>\$ 198 103</u>	<u>\$ 20 222</u>

TOWNSHIP OF HOLMES  
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CASH BASIS  
GENERAL FUND  
MARCH 31, 2006

	General Fund		
	Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
CASH RECEIPTS:			
Property taxes and CFR	\$ 31 332	\$ 31 332	\$ -
Interest income	4 130	10	4 120
State revenue sharing	19 991	20 000	( 9)
Swamp tax	12 838	12 838	-
Charges for services-			
Tax collection	9 856	9 000	856
Reimbursements & misc.	5 111	-	5 111
TOTAL RECEIPTS	83 258	73 180	10 078
CASH DISBURSEMENTS:			
Legislative:			
Township board expense, trustees and insurance	16 160	15 475	( 685)
General Government:			
Township supervisor	4 036	4 600	564
Township clerk	4 074	4 500	426
Board of review	1 190	1 000	( 190)
Treasurer and tax roll	8 586	9 215	629
Assessor	11 303	10 675	( 628)
Township hall expense	4 306	6 675	2 369
Elections	1 090	650	( 440)
Highways and roads	32 024	70 900	38 876
Fire protection	-	-	-
Landfill	150	150	-
TOTAL DISBURSEMENTS	82 919	123 840	40 921
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 339	\$ ( 50 660)	\$ 50 999
FUND BALANCE, April 1, 2005	197 764	197 764	-
FUND BALANCE, March 31, 2006	\$198 103	\$ 147 104	\$ 50 999

See accompanying notes to financial statements.



<u>Special Revenue Fund - Fire</u>		
<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<u>Amount</u>	<u>Amount</u>	<u>Favorable</u>
		<u>(Unfavorable)</u>
\$ 20 222	\$ 20 222	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
20 222	20 222	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
18 756	18 756	-
-	-	-
18 756	18 756	-
\$ 1 466	\$ 1 466	\$ -
18 756	18 756	-
\$ 20 222	\$ 20 222	\$ -

TOWNSHIP OF HOLMES  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

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NOTE 1 - REPORTING ENTITY

Holmes Township is located in Menominee County and provides services to its residents in many areas including community enrichment and development, and human services. In accordance with the provisions of NGCA Statement 3, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by the NGCA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Township. Educational services are provided through the Stephenson School system which is a separate governmental entity and, therefore, not presented in the financial statements included herein.

BASIS OF PRESENTATION

The financial activities of the Township are recorded in separate funds, categorized as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions except those provided for in another fund. The Fund includes the general operating expenditures of the Township. Revenues are primarily derived from property taxes, State grants and other intergovernmental revenues.

FIDUCIARY FUNDS

Agency Fund

These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. The only Agency Fund is the Current Tax Collection Fund.

TOWNSHIP OF HOLMES  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006  
(Continued)

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NOTE 1 - REPORTING ENTITY (Continued)

Special Revenue Fund -Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The special revenue fund included in this report is fire operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Holmes Township do not conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting

Governmental Funds

The accounting policies of Holmes Township do not conform to generally accepted accounting principles as applicable to governmental units in that the cash basis of accounting is utilized by the governmental fund rather than the modified accrual basis of accounting. Consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

Fiduciary Funds

The Fiduciary Fund is maintained on a cash basis which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

Fixed Assets

The accounting policies of Holmes Township as they relate to fixed assets are not in accordance with generally accepted accounting principles in that the general fixed assets are not recorded.

Property Taxes

The Township's 2005 ad valorem tax was levied and collectible on December 1, 2005. It is the Township's policy to recognize revenues from the current tax levy in the current year when the proceeds on this levy are budgeted

TOWNSHIP OF HOLMES  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006  
(Continued)

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

and made available for the financing of Township operations. Payment from the county which purchases the 2005 delinquent taxes will be recognized as revenue when received in cash.

See schedule on page 15 for levy breakdown and millage rates.

NOTE 3 - CASH AND INTEREST-BEARING DEPOSITS

Deposits are carried at cost. Deposits of the Township are in one bank in the name of Holmes Township Treasurer. Michigan Compiled Laws, Section 124.91 authorized the Township Treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the Government National Mortgage Association; United States Government or Federal Agency obligation repurchase agreement; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rates by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township's deposits are in accordance with statutory authority.

Governmental Accounting Standards Board (GASB) Statement 3 risk disclosure for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Non-insured	\$ -
Insured (FDIC)	<u>218 325</u>
TOTAL DEPOSITS	<u>\$ 218 325</u>

TOWNSHIP OF HOLMES  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006  
(Continued)

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NOTE 4 - BUDGETS AND BUDGETARY ACCOUNTING

As set forth in the Township's Charter, the Township adopts an annual budget for the General Fund and Special Revenue Fund. The annual budgets are prepared in accordance with the basis of accounting utilized by those funds (cash basis). The Township board is authorized to transfer budgeted amounts within and among departments. Subsequent to year-end, the board adopts an amended budget approving any transfers among departments or additional expenditures. The amounts budgeted are presented on page 7. All appropriations lapse at fiscal year-end.

NOTE 5 - PENSION PLAN

The Township provides pension benefits for its officers and employees through a defined contribution plan through the Municipal Retirement Systems, Inc.

Participants are vested immediately in an individual flexible annuity. The plan is in lieu of paying social security on officers' wages. The total cost for the year was \$3,636 to the Township.

The contribution rate for the Township is 12 percent of each employee's wage and is funded by the Township.

NOTE 8 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

TOWNSHIP OF HOLMES  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006  
(Continued)

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NOTE 9 - RISK MANAGEMENT (Continued)

The Township purchases insurance coverage through a carrier. This plan purchases reinsurance for all risks. The Township's expense is to pay only the annual premium. In addition, the Township purchases worker's compensation insurance through the Accident Fund Company.

TOWNSHIP OF HOLMES  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - CASH BASIS  
SPECIAL REVENUE FUND  
YEAR ENDED MARCH 31, 2006

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	<u>Fire Fund</u>
CASH RECEIPTS:	
Current property taxes	\$ 20 222
TOTAL CASH RECEIPTS	<u>20 222</u>
CASH DISBURSEMENTS:	
Fire protection	<u>18 756</u>
EXCESS CASH RECEIPTS (DISBURSEMENTS)	<u>1 466</u>
FUND BALANCE, at beginning of period	<u>18 756</u>
FUND BALANCE, at end of period	<u>\$ 20 222</u>

TOWNSHIP OF HOLMES  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL FIDUCIARY FUND TYPES  
MARCH 31, 2006

<u>CURRENT TAX COLLECTION FUND</u>	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2006</u>
<u>ASSETS</u>				
Cash	\$ -	\$ 745 026	\$ 745 026	\$ -
TOTAL ASSETS	\$ -	\$ 745 026	\$ 745 026	\$ -
<u>LIABILITIES</u>				
Due to other taxing units:				
Township of Holmes				
- Fire	\$ -	\$ 20 222	\$ 20 222	\$ -
Township of Holmes				
- General	-	41 180	41 180	-
Menominee County	-	181 832	181 832	-
Intermediate School				
District	-	46 104	46 104	-
Stephenson Area				
Schools	-	333 017	333 017	-
State of Michigan -				
S.E.T.	-	122 671	122 671	-
TOTAL LIABILITIES	\$ -	\$ 745 026	\$ 745 026	\$ -



TOWNSHIP OF HOLMES  
SCHEDULE OF ASSESSED VALUATION TAX RATES AND LEVIES  
YEAR ENDED MARCH 31, 2006

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	<u>Holmes Township</u>	
	<u>General Fund</u>	<u>Fire Fund</u>
State taxable valuation	\$ 21 157 730	\$ 21 157 730
Millage rate	<u>1.4000</u>	<u>1.0000</u>
Tax Levy	29 662	21 158
Taxes returned delinquent	<u>1 292</u>	<u>936</u>
Current tax collection	<u>\$ 28 370</u>	<u>\$ 20 222</u>

<u>Menominee County</u>	<u>Stephenson Area Schools</u>	<u>Intermediate Schools</u>	<u>State of Michigan</u>
\$ 21 157 730	\$ 21 157 730	\$ 21 157 730	\$ 21 157 730
<u>8.8889</u>	<u>20.3034</u>	<u>2.2795</u>	<u>6.0000</u>
188 111	344 111	48 240	126 812
<u>7 865</u>	<u>11 094</u>	<u>2 136</u>	<u>4 293</u>
<u>\$ 180 246</u>	<u>\$ 333 017</u>	<u>\$ 46 104</u>	<u>\$ 122 519</u>

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October 23, 2006

PROFESSIONAL BUILDING  
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
"GOVERNMENT AUDITING STANDARDS"

Holmes Township Board  
Holmes Township  
Menominee County, Michigan

I have audited the general purpose financial statements of Holmes Township as of and for the year ended March 31, 2006, and have issued my report thereon dated October 23, 2006. I conducted my audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Holmes Township's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit I considered Holmes Township's internal control over financial reporting in order to determine my audit procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

October 23, 2006

relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ray L. Payment  
Certified Public Accountant